



GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

STATE OF CALIFORNIA ♦ OFFICE OF GOVERNOR EDMUND G. BROWN JR.

Office of Small Business Advocate Annual Report to the Governor and Legislature October 2013 - September 2014

Pursuant to Section 12098.4(B) of the Government Code

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Contents

Summary of Report	2
Introduction	3
Office of Small Business Advocate Activities	3
Next Steps: Office of Small Business Advocate’s Work Plan for 2015	10

Summary of Report

The Office of Small Business Advocate (OSBA) resides within the Governor's Office of Business and Economic Development (GO-Biz) and serves as the primary advocate for California's small business community. This annual report describes the activities of OSBA during its second year of operations from October 1, 2013, through September 30, 2014. It also includes a discussion of OSBA's work plan for the coming year. This report is required pursuant to Government Code Section 12098.4(b).

As detailed in this report, OSBA engages in the following activities to serve the state's small businesses:

- Provides individual assistance to small businesses seeking information about state business requirements and resources for technical and financial assistance. OSBA resolves business questions directly or connects small businesses to the many services offered statewide by governmental and non-governmental organizations.
- Manages GO-Biz's Interagency Working Group in collaboration with GO-Biz's Permit Assistance Unit. The purpose of the Interagency Working Group is to promote information-sharing between state departments on effective outreach strategies to reach small businesses (e.g., workshops, website postings, partnering with local agencies and industry groups), and to keep OSBA updated on regulatory changes that affect small businesses. The Interagency Working Group includes regulatory staff from the California Environmental Protection Agency and the Department of Industrial Relations, among others.
- Develops and manages programs. This past year, OSBA began work on two programs to support California's small business community:
 - Capital Infusion Program – OSBA administered a \$2 million competitive grant program to help fund one-on-one business consulting for small businesses to promote access to capital.
 - Made in California – Enacted in 2013, Made in California is a state labeling program designed to create awareness about goods produced in the state. OSBA began work on the program's design and implementation.
- Conducts external outreach activities, including educational workshops for small business owners on various topics, including innovation and entrepreneurship, online lending options, and disaster preparedness and recovery. OSBA also maintains a comprehensive list of online resources for small businesses on technical assistance, financial assistance, and state procurement opportunities.

Introduction

The Office of Small Business Advocate (OSBA) within the Governor's Office of Business and Economic Development (GO-Biz) serves as the primary advocate for California's small business community. It engages in outreach with small businesses through a variety of methods, including workshops and individual assistance to small business owners. OSBA also manages programs to assist small businesses with capital access and marketing. Additionally, OSBA collaborates with GO-Biz's Permit Assistance Unit to convene an Interagency Working Group that focuses on regulatory updates and small business outreach.

Staff

For most of 2014, OSBA included three Personnel Years (PYs). The Deputy Director serves as the state's Small Business Advocate. One Small Business Specialist works in the Sacramento Office. The Second Small Business Specialist is located in the Governor's Los Angeles office serving the Greater Los Angeles area.

In July 2014, three PYs were allocated by the Department of Finance to operate the Made in California Program, which will operate within OSBA. In August 2014, two positions were filled. To date, staff work has focused on research, analysis, and program development for the Made in California program.

OSBA Activities

This section describes OSBA's activities, which fall into four categories:

- Small Business Assistance
- Interagency Engagement
- Program Development and Management
- External Outreach

Small Business Assistance

A key function of OSBA is to serve as a liaison between the small business community and the many services available to assist them. From October 2013 to September 2014, GO-Biz responded to over 1,900 phone calls and 2,100 emails from small business owners who needed assistance with regulations, procurement, business planning, and other technical support. These resources come from a variety of sources, and OSBA serves as the entry point for many of these service requests and helps small business owners and entrepreneurs across the state gain access to the resources they need. OSBA works closely with the following programs to provide these services:

- **Business Planning and Financing Assistance** – OSBA works closely with the Small Business Development Center (SBDC) network and Financial Development Corporations. These organizations provide assistance with business planning, credit readiness, and qualifying for small businesses financing programs. OSBA also works closely with the state’s Small Business Loan Guarantee Program, housed within the California Infrastructure and Economic Development Bank (I-Bank) and part of GO-Biz, to provide small businesses with access to capital.
- **Permitting and Regulatory Assistance** – OSBA serves as a liaison for many small businesses to GO-Biz’s Permit Assistance Unit. The Permit Assistance Unit assists hundreds of small businesses every year by providing information on the legal and regulatory requirements to start a business and help resolve conflicts between small businesses and government entities at the local, regional, state, and federal levels.
- **Location and Incentive Assistance** – OSBA collaborates with GO-Biz’s Business Investment Services Unit (CalBIS) to connect small businesses with experts on site selection, incentive programs, and facilitation of relationships with local and regional economic development partners. In addition, OSBA works closely with GO-Biz’s California Competes Tax Credit Unit to connect small businesses to the pool of tax credits that are set aside specifically for small businesses.
- **Entrepreneurial Resources** – GO-Biz provides services to entrepreneurs through the Innovation Hub (iHub) program. California currently has 16 iHubs across the state. The iHubs leverage assets such as research parks, technology incubators, universities, and federal laboratories to provide an innovation platform for startup companies, economic development organizations, business groups, and venture capitalists. GO-Biz has helped place entrepreneurs in iHubs across the state. OSBA markets this program and helps connect entrepreneurs to the resources available through the iHub network.
- **Export Assistance** – Small businesses wanting to export their products receive assistance from the GO-Biz International Affairs and Business Development Unit (International Unit). In addition to having a direct link to China via the state’s Trade Office in Shanghai, the International Unit can assist businesses in exploring new export markets, export regulations, customs assistance, and obtaining export certificates. OSBA, working in partnership with the International Unit, connects small businesses with Centers for International Trade Development across the state, the US Commercial Service, and the Export/Import Bank.

Interagency Engagement

GO-Biz engages with other state agencies on a variety of initiatives, including environmental compliance, state procurement, and program-specific business outreach.

Environmental Compliance

GO-Biz works closely with the California Environmental Protection Agency (Cal-EPA) to promote initiatives to increase business compliance with environmental regulations. Activities during

the past year included partnering on events, program marketing, and convening meetings with other agencies to address regulatory issues.

Event Partnerships and Program Marketing

Central Valley business groups invited GO-Biz and Cal-EPA to partner on a variety of events to educate businesses on resources to promote environmental compliance and sustainable business practices. GO-Biz worked with Cal-EPA, the Air Resources Board (ARB), and local Certified Unified Program Agencies to develop and conduct the Business Academy for Environmental Compliance for small businesses. Topics covered included the environmental regulatory and legal framework and compliance assistance resources. The program was held in partnership with the Valley Green Team, the San Joaquin Green Team, the Greater Stockton Chamber of Commerce, and the Fresno Chamber of Commerce.

In addition, GO-Biz partnered with Cal-EPA on joint presentations to the San Joaquin Green Team and the annual Recycling Expo held in Stockton. GO-Biz provided information on resources available to help businesses, including incentives, compliance assistance, and branding programs. GO-Biz also leveraged its relationships with state agencies and business associations to encourage small businesses to participate in CoolCalifornia's Small Business Awards.

Regulatory Assistance

GO-Biz, along with the ARB, the Employment Development Department (EDD), the California Workforce Investment Board (CWIB), and the State Treasurer's Office (STO), worked to develop and deploy resources to assist independent truck drivers in complying with new truck and bus regulations and with transitioning dislocated truckers into new careers. The regulation requires diesel trucks and buses that operate in California to be upgraded to reduce emissions.

Specifically, GO-Biz worked with STO and ARB to increase funding in the California Capital Access Program (CalCAP). CalCAP is designed to help financial institutions provide loans to small businesses that have difficulty obtaining financing. The program was developed for small fleets and individual owner-operators of on-road heavy-duty vehicles. It can be used for truck retrofits and offers up to 100 percent coverage on certain loan defaults.

State Procurement

OSBA provided ongoing support to the Department of General Services' (DGS) small business and disabled veteran business enterprise (DVBE) procurement program, a valuable state tool that promotes small business growth. Throughout the year, OSBA attended and presented at a variety of events to highlight the Governor's support of the program and to maintain relationships with the various groups that comprise the procurement program. Specifically, OSBA represented the Governor's Office in meetings with DGS management, DGS' Small Business Council, state small business advocates, and DVBE stakeholders. OSBA also presented the Governor's Award at DGS' State Agency Recognition Awards (SARA). SARA honors state departments for outstanding achievements in small business and DVBE advocacy and for contracting success. Additionally, as part of OSBA's small business assistance role, OSBA staff

responded to inquiries from small businesses about DGS's small business certification requirements and the contract bidding and awarding process.

Also this year, DGS participated in the Lean 6-Sigma¹ pilot program offered by GO-Biz and the Government Operations Agency. During the program, DGS explored and addressed process-based issues found within the Small Business Certification online approval process. As a result of their participation, DGS was able to reduce by 50 percent the number of qualifying small businesses that were unable to obtain online certification. GO-Biz staff members provided one-on-one support to all projects in the pilot program and recognized achievements at the program graduation ceremony held in the Governor's Office in July 2014.

Interagency Working Group

OSBA and GO-Biz's Permit Assistance Unit convene an Interagency Working Group that is comprised of staff from boards, departments, or agency-level units that assist businesses and/or engage in regulation and taxation. The purpose of the Interagency Working Group is to promote information-sharing between departments on effective outreach strategies and techniques to reach small businesses (e.g., workshops, website postings, partnering with local agencies and industry groups), and to keep GO-Biz updated on current and anticipated regulatory changes that will affect small businesses.

The Interagency Working Group meets every six weeks and has resulted in a number of successful partnerships. For example, OSBA partnered with the Board of Equalization (BOE) to present at six BOE Small Business Seminars. OSBA also expanded its outreach platforms by leveraging distribution lists, webinars, newsletters, and other channels of communication available from Interagency Working Group members. In addition, Working Group members provided information about existing resources that could be leveraged in the development of GO-Biz's California Business Portal (Portal), a website that will provide consolidated information from many different state agencies on regulatory requirements and resources for businesses.

Program Development and Management

This year, OSBA initiated two programs that target the small business community. The Capital Infusion Program focuses on promoting capital access to small businesses through expanded business consulting from SBDCs statewide. The Made in California Program is a state labeling program designed to help California businesses market California-made goods.

Capital Infusion Program

Challenges in accessing capital remain a barrier to growth for the state's small business base. To address this issue, a competitive grant program, known as the Capital Infusion Program, was created to provide funding for one-on-one business consulting on capital infusion.² As part of the 2014-15 state budget, \$2 million was appropriated to GO-Biz to fund the Capital Infusion Program.

¹ Lean 6-Sigma is a process efficiency and management methodology used to improve organizational operations.

² For purposes of the grant, "capital infusion" refers to the acquisition of funding for business operations and growth, including US Small Business Administration (SBA) loans, non-SBA loans, nontraditional lending and non-owner equity investments.

During the duration of the program, one-on-one consulting will be carried out by SBDCs, which provide services for prospective and existing small business owners seeking to start, retain, or expand businesses. Through counseling or workshops, SBDCs provide businesses with technical support for business planning, marketing, and financing needs. SBDCs will use the grant funding to expand consulting services that evaluate a business' credit readiness. They will also assist businesses in locating and securing appropriate funding resources for start-up and/or expansion plans.

OSBA received a total of \$3.2 million in grant funding requests from 34 SBDCs. OSBA evaluated grant proposals based on the following components:

- Approach to providing capital infusion services (outreach strategy, partner relationships, screening process, and consulting services rendered).
- Track record in generating capital infusion during previous years.
- Evidence of need in geographical area (unemployment and underserved groups).
- Regional location and population base (for example, rural versus urban).
- Completeness of application and supplemental information.

Based on these criteria, GO-Biz awarded \$2 million in grant funding to 34 SBDCs across California. GO-Biz finalized grant agreements with the SBDCs in September 2014. The grant agreements cover activities that will take place beginning October 1, 2014 through September 30, 2015. During the operation of the Capital Infusion Program, OSBA will review quarterly reports and an annual report from each awardee, monitor compliance with the grant agreement, and process invoices.

Made in California Program

In 2013, the state legislature passed and the Governor signed Senate Bill 12 (Corbett, Chapter 541), which created the Made in California Program. The legislation creates a state labeling program designed to encourage consumer product awareness and to promote the purchase of products manufactured in California. Effective January 1, 2014, GO-Biz is responsible for administering the program. GO-Biz submitted a budget change proposal in spring 2014 to the Department of Finance requesting positions to operate the program and obtained approval for three positions in July 2014. Two staff joined OSBA in August of 2014. Staff has worked on the following activities since joining GO-Biz:

- Case Study Research – OSBA researched existing state branding programs to guide Made in California's program development and implementation.

- Conceptual Planning – OSBA mapped out the implementation process and prepared an initial design of the program activities and the process by which businesses will apply for, receive, and use the Made in California label.
- Definition of Roles and Responsibilities – OSBA identified the responsibilities of the parties that will be involved in the program, including businesses, third-party certifiers, and GO-Biz.

External Outreach

California's small business owners comprise a large and diverse group of approximately 3.57 million businesses.³ To efficiently and effectively reach and support this community, OSBA employed an outreach strategy that included events and online resources.

OSBA conducted workshops for small businesses on current issues of concern. It also convened and attended outreach events for the small business community. OSBA's outreach activities are detailed below.

Small Business Month

To recognize Small Business Month in May, OSBA conducted its inaugural Small Business Webinar, which explored online lending options for small businesses. The Small Business Advocate also delivered a presentation on GO-Biz's services in San Francisco as part of the city's Small Business Week event. Finally, OSBA staff worked with the Governor's Office to issue a proclamation from the Governor for Small Business Month.

Small Business Saturday

To recognize Small Business Saturday (November 27, 2013), OSBA worked with the Governor's Office to issue a letter of support recognizing the date and encouraging Californians to support small businesses throughout the year. A press release was issued by GO-Biz recognizing the event.

Other Events

- California Day of Preparedness – OSBA participated in the Governor's Office of Emergency Services' California Day of Preparedness in Sacramento. OSBA partnered with the Small Business Administration (SBA) and shared information about safety precautions that small businesses can take before and after a disaster or emergency.
- Coffee Break with GO-Biz – OSBA partnered with the Speaker's Office of Member Services to conduct seven presentations statewide. Each event included presentations on GO-Biz's services, SBDC services, and an additional subject of local interest, ranging from business marketing to government contracting. Resource tables were staffed by a variety of state departments to provide information and individual assistance to attendees. Events were held in Riverside, Fullerton, Torrance, Lancaster, Bakersfield, Hanford, and Sacramento.

³ SBA Office of Advocacy, Small Business Profile, 2014.

GO-Biz also coordinated a “Coffee Break with GO-Biz” event on North Coast entrepreneurship and innovation. This event was developed by OSBA to support innovation in the Humboldt region. The event included an overview of GO-Biz’s iHubs program, business success stories from three Humboldt entrepreneurs, and a presentation from the Director of Humboldt State University’s Sponsored Programs Foundation. The event was hosted by the City of Eureka and local economic development agencies.

- GO-Biz Webinar on Online Business Loans – OSBA organized and hosted two webinars on small business loans from online lenders. The webinars featured two small business finance experts who discussed online lending options, proprietary risk assessment models, online loan amounts, loan terms, and the application process.
- GO-Small Biz Quarterly Meetings – OSBA convened quarterly meetings with statewide small business associations to stay informed of small business issues throughout the state.
- Sacramento Metro Small Business Expo – OSBA presented information on state and federal loan guarantee programs for small businesses. The presentation included an overview of general SBA guidelines, SBA’s 504 and 7A loan programs, and the state’s Small Business Loan Guarantee Program.
- Protect Your Business Disaster Readiness Workshop – OSBA organized and conducted a “Protect Your Business” workshop in Ontario in collaboration with the City of Ontario and the Inland Empire Small Business Development Center. The panel focused on navigating disaster situations and minimizing financial losses, identifying critical business data and information needed in a disaster, tips on what to do during and after a disaster, and business and financial resources available after a disaster.
- Small Business Seminars – OSBA staff presented at six BOE Small Business Seminars in Camarillo, Valley Glen, Norwalk, San Luis Obispo, Monterey, and Oakland. The seminars provided local entrepreneurs with the opportunity to learn about state requirements associated with operating and expanding businesses in California. OSBA spoke about GO-Biz’s services and tax incentives available through the Governor’s Economic Development Initiative, including GO-Biz’s California Competes Tax Credit.
- SBA Lender Training on California Competes – OSBA provided two training seminars in Santa Ana and Los Angeles on the California Competes Tax Credit to lenders that offer SBA loans. The purpose of the lender training was to educate small business lenders about the program so they could better assist in marketing the program to small businesses.

Online Resource: GO-Biz Business Portal – *In Development*

As described earlier, GO-Biz is developing an online Portal that will provide businesses with a single, user-friendly website that provides information on state programs, resources, and regulations. This year, GO-Biz Information Technology (IT) staff created a project plan for the Portal that included milestones and deliverables. Portal development is anticipated to continue through 2015.

Next Steps: OSBA's Work Plan for the Coming Year

This section details the work plan for OSBA in 2015, reflecting the categories of work as previously described.

Small Business Assistance

OSBA will continue to assist small businesses by providing responses to questions and connecting them to appropriate tools, resources, and partners. In addition, OSBA will collaborate with other GO-Biz Units in their ongoing initiatives that assist small businesses:

- GO-Biz's California Competes Unit will award \$151.1 million in tax credits during its Fiscal Year 2014-15 and \$200 million in Fiscal Year 2015-2016; 25 percent of those funds are allocated for small businesses.
- The International Unit will educate small businesses on trade promotion resources at international trade events, such as seminars hosted by California Centers for International Trade Development and the Trade Connect Export Seminars organized by the Port of Los Angeles.
- I-Bank will continue to promote economic growth for small businesses under the Small Business Loan Guarantee Program by enabling these businesses to receive financing that would not be available otherwise. In addition, I-Bank will be identifying ways to provide export financing options to California businesses.

OSBA will promote these initiatives to small businesses through its network of small business associations, SBDCs, and Interagency Working Group contacts. As part of its small business assistance role, OSBA will also directly refer small businesses to these available resources.

Interagency Engagement

OSBA and the Permit Assistance Unit will continue convening Interagency Working Group meetings to promote collaboration between state departments and to stay abreast of state compliance issues affecting small businesses.

OSBA and the Permit Assistance Unit will also work with the Governor's Office of Planning and Research (OPR) to develop a revised Economic Development Element with goals, policies, and implementation actions for the 2015 update of OPR's General Plan Guidelines.

Program Development and Management

OSBA will continue managing the Capital Infusion Program by reviewing quarterly and annual reports from SBDC grantees, monitoring compliance of grant agreements, and processing invoices. OSBA will also continue program development activity for the Made in California program by designing the program's label, identifying target markets for the label, and further defining roles and responsibilities for the program. OSBA will also prepare and submit regulations to implement the program through the Office of Administrative Law.

External Outreach

As part of Small Business Month in May, OSBA will conduct a series of one-hour lunchtime webinars for small business owners. Identified topics include GO-Biz's International Unit's export promotion resources and an overview of the SBDC network's services. OSBA will also partner on a webinar with the Department of Industrial Relations to assist in outreach with the recently enacted paid sick leave law (Assembly Bill 1522, Gonzalez).

Additional events planned for 2015 are listed below:

- Presenting at 2015 BOE Small Business Seminars.
- Conducting a workshop in Watts on disaster preparedness and recovery for businesses.

The Permit Assistance Unit will also continue presenting at workshops to educate businesses on resources available to assist with environmental compliance.

Other Outreach Initiatives

OSBA will also engage in outreach to promote special initiatives and new resources for small businesses. Examples of 2015 activities are below.

- OSBA will work with the Governor's Office to issue proclamations, attend events, and engage in other activities to support Small Business Month in May and Small Business Saturday.
- OSBA will assist in the development of the GO-Biz Portal by serving as content experts. Specifically, OSBA will convene focus group meetings and beta testing opportunities with small businesses to aid in the development of the Portal. OSBA will also work with other GO-Biz units and other state agencies to obtain information on every stage of the business development process. To build the Portal's knowledge database, OSBA will collect answers to business-related frequently asked questions from other state agencies. Once the Portal is complete, OSBA will facilitate events and presentations to market the tool to the small business community.